

Table I.1

**Southern New England Telephone
Wage Scale Indices
Assumed In Determining The 1994 Accrual Rate**

Nonmanagement						
Wage Scale Indices at $t + 1/2$						
Service in years t	Male	Female		Service in years t	Male	Female
0	0.0882	0.0909		28	0.3184	0.3184
1	0.0921	0.0950		29	0.3327	0.3327
2	0.0963	0.0993		30	0.3477	0.3477
3	0.1006	0.1037		31	0.3634	0.3634
4	0.1052	0.1084		32	0.3797	0.3797
5	0.1099	0.1133		33	0.3968	0.3968
6	0.1168	0.1191		34	0.4146	0.4146
7	0.1230	0.1250		35	0.4333	0.4333
8	0.1293	0.1311		36	0.4528	0.4528
9	0.1357	0.1374		37	0.4732	0.4732
10	0.1424	0.1439		38	0.4945	0.4945
11	0.1494	0.1505		39	0.5167	0.5167
12	0.1565	0.1574		40	0.5400	0.5400
13	0.1639	0.1645		41	0.5643	0.5643
14	0.1716	0.1719		42	0.5897	0.5897
15	0.1795	0.1797		43	0.6162	0.6162
16	0.1878	0.1878		44	0.6439	0.6439
17	0.1962	0.1962		45	0.6729	0.6729
18	0.2050	0.2050		46	0.7032	0.7032
19	0.2143	0.2143		47	0.7348	0.7348
20	0.2239	0.2239		48	0.7679	0.7679
21	0.2340	0.2340		49	0.8025	0.8025
22	0.2445	0.2445		50	0.8386	0.8386
23	0.2555	0.2555		51	0.8763	0.8763
24	0.2670	0.2670		52	0.9157	0.9157
25	0.2790	0.2790		53	0.9569	0.9569
26	0.2916	0.2916		54	1.0000	1.0000
27	0.3047	0.3047				

Source: Industry-wide Nonmanagement experience 1975-1978.

Table I.2

**Southern New England Telephone
Annual Rates Of Employee Separation From Service
Before Eligibility For Service Retirement
Assumed In Determining The 1994 Accrual Rate**

Service	Nonmanagement	
	Male	Female
0	0.1470	0.1340
1	0.0843	0.0856
2	0.0666	0.0544
3	0.0488	0.0455
4	0.0387	0.0411
5	0.0335	0.0400
6	0.0298	0.0394
7	0.0278	0.0393
8	0.0266	0.0385
9	0.0263	0.0369
10	0.0243	0.0330
11	0.0214	0.0281
12	0.0193	0.0243
13	0.0179	0.0218
14	0.0175	0.0203
15	0.0160	0.0197
16	0.0147	0.0190
17	0.0134	0.0182
18	0.0122	0.0174
19	0.0102	0.0154
20	0.0083	0.0133
21	0.0070	0.0125
22	0.0070	0.0125
23	0.0070	0.0125
24	0.0070	0.0125
25	0.0070	0.0125
25	0.0070	0.0125
26	0.0070	0.0125
27	0.0070	0.0125
28	0.0070	0.0125
29	0.0070	0.0125
30	0.0070	0.0125

Note: Based on separations for all causes.

Source: SNET Nonmanagement experience 1988-1990.

Table I.3

**Southern New England Telephone
Annual Rates Of Retirement On Disability Pension
Assumed In Determining The 1994 Accrual Rate**

Age x	Nonmanagement	
	Rates of disability retirement during year of age $x + .5$ to $x + 1.5$	
	Male	Female
29	0.0001	0.0004
30	0.0001	0.0004
31	0.0001	0.0005
32	0.0002	0.0006
33	0.0002	0.0008
34	0.0003	0.0011
35	0.0003	0.0013
36	0.0004	0.0015
37	0.0005	0.0017
38	0.0007	0.0020
39	0.0008	0.0023
40	0.0009	0.0024
41	0.0010	0.0026
42	0.0011	0.0027
43	0.0012	0.0029
44	0.0014	0.0031
45	0.0016	0.0033
46	0.0019	0.0036
47	0.0022	0.0039
48	0.0026	0.0043
49	0.0029	0.0047
50	0.0034	0.0052
51	0.0040	0.0057
52	0.0046	0.0063
53	0.0053	0.0069
54	0.0060	0.0074
55	0.0062	0.0079
56	0.0066	0.0083
57	0.0074	0.0087
58	0.0088	0.0099
59	0.0110	0.0116
60	0.0141	0.0137
61	0.0183	0.0164
62	0.0239	0.0198
63	0.0308	0.0238
64	0.0394	0.0286

Source: Industry-wide experience 1985-1989.

Table I.4

**Southern New England Telephone
Annual Rates Of Retirement On Service Pension
Assumed In Determining The 1994 Accrual Rate**

Nonmanagement		
Age	Male	Female
49	0.0418	0.0385
50	0.0321	0.0282
51	0.0315	0.0287
52	0.0452	0.0356
53	0.0560	0.0449
54	0.0668	0.0542
55	0.0773	0.0638
56	0.0880	0.0732
57	0.0987	0.0826
58	0.1096	0.0918
59	0.1315	0.1102
60	0.1645	0.1377
61	0.3300	0.2800
62	0.3300	0.2800
63	0.3300	0.2800
64	0.4500	0.3500
65	0.3000	0.2000
66	0.3000	0.2000
67	0.3000	0.2000
68	0.3000	0.2000
69	0.3000	0.2000

Source: SNET Nonmanagement experience 1986-1990.

Table I.5

Southern New England Telephone
Annual Rates Of Mortality Among Active Employees
Assumed In Determining The 1994 Accrual Rate

Age x	Rates of mortality during year of age x + .5 to x + 1.5		Age x	Rates of mortality during year of age x + .5 to x + 1.5	
	Male	Female		Male	Female
15	.0011	.0003	43	.0021	.0013
16	.0011	.0003	44	.0024	.0015
17	.0011	.0003	45	.0027	.0017
18	.0011	.0003	46	.0030	.0019
19	.0010	.0003	47	.0034	.0021
20	.0010	.0003	48	.0038	.0022
21	.0009	.0003	49	.0041	.0024
22	.0009	.0004	50	.0045	.0025
23	.0008	.0004	51	.0050	.0026
24	.0008	.0004	52	.0055	.0027
25	.0008	.0004	53	.0061	.0030
26	.0008	.0004	54	.0068	.0033
27	.0008	.0004	55	.0075	.0037
28	.0007	.0005	56	.0083	.0040
29	.0007	.0005	57	.0092	.0044
30	.0007	.0006	58	.0102	.0049
31	.0007	.0006	59	.0111	.0053
32	.0007	.0007	60	.0121	.0058
33	.0007	.0007	61	.0132	.0063
34	.0008	.0008	62	.0143	.0068
35	.0008	.0008	63	.0154	.0074
36	.0009	.0008	64	.0165	.0080
37	.0011	.0009	65	.0177	.0086
38	.0012	.0009	66	.0190	.0093
39	.0013	.0010	67	.0202	.0101
40	.0015	.0010	68	.0215	.0110
41	.0016	.0011	69	.0228	.0119
42	.0018	.0012			

Source: Industry-wide experience 1973-1977.

Table I.6

**Southern New England Telephone
Annual Rates Of Mortality For Service Pensioners
Assumed In Determining The 1994 Accrual Rate**

Nonmanagement					
Age x	Rates of mortality during year of age x + .5 to x + 1.5		Age x	Rates of mortality during year of age x + .5 to x + 1.5	
	Male	Female		Male	Female
45	0.0301	0.0199	78	0.0665	0.0402
46	0.0257	0.0164	79	0.0723	0.0445
47	0.0218	0.0134	80	0.0790	0.0492
48	0.0184	0.0109	81	0.0865	0.0546
49	0.0156	0.0088	82	0.0951	0.0606
50	0.0134	0.0073	83	0.1047	0.0673
51	0.0118	0.0063	84	0.1151	0.0747
52	0.0109	0.0057	85	0.1262	0.0828
53	0.0104	0.0054	86	0.1380	0.0913
54	0.0104	0.0054	87	0.1504	0.1005
55	0.0106	0.0057	88	0.1633	0.1104
56	0.0111	0.0061	89	0.1768	0.1212
57	0.0117	0.0065	90	0.1911	0.1334
58	0.0124	0.0070	91	0.2060	0.1472
59	0.0133	0.0075	92	0.2219	0.1633
60	0.0142	0.0080	93	0.2387	0.1820
61	0.0152	0.0085	94	0.2568	0.2026
62	0.0163	0.0090	95	0.2790	0.2248
63	0.0174	0.0095	96	0.3050	0.2494
64	0.0188	0.0102	97	0.3331	0.2767
65	0.0203	0.0110	98	0.3639	0.3069
66	0.0222	0.0119	99	0.3975	0.3405
67	0.0245	0.0131	100	0.4343	0.3778
68	0.0270	0.0145	101	0.4744	0.4192
69	0.0299	0.0161	102	0.5181	0.4647
70	0.0331	0.0178	103	0.5657	0.5147
71	0.0366	0.0197	104	0.6176	0.5702
72	0.0403	0.0219	105	0.6743	0.6317
73	0.0442	0.0242	106	0.7361	0.6998
74	0.0482	0.0268	107	0.8037	0.7752
75	0.0524	0.0296	108	0.8774	0.8588
76	0.0567	0.0328	109	0.9580	0.9513
77	0.0613	0.0363	110	1.0000	1.0000

For ages prior to 45, the mortality rate is assumed constant at that age value.

Source: Experience of Industry-wide service pensioners 1986-1989.

SNET
POSTRETIREMENT HEALTH
ACTUARIAL REPORT
FOR THE 1994 PLAN YEAR

**SNET
POSTRETIREMENT HEALTH
ACTUARIAL VALUATION
1994 FUNDING**

TABLE OF CONTENTS

	PAGE
I. Introduction and Summary of Results	2
II. Funding Results	4
III. Plan Provisions	15
IV. Demographic Data	21
V. Actuarial Assumptions	23

SECTION I
INTRODUCTION AND SUMMARY OF RESULTS

**SNET
POSTRETIREMENT HEALTH
ACTUARIAL VALUATION
1994 FUNDING**

This report provides the actuarial certification of the 1994 funding contribution for Southern New England Telephone (SNET) postretirement health benefits. SNET uses Voluntary Employee Benefit Association (VEBA) trusts as allowed by Internal Revenue Code (IRC) Section 501(c)(9) to prefund the benefits and administrative costs associated with its postretirement health plans.

The 1994 maximum tax deductible prefunding contributions and the recommended contributions made to the Trusts by SNET are as follows:

	<u>Maximum Tax Deductible Contributions</u>	<u>Recommended Contribution Amounts</u>
Trust for Represented Employees	\$204,705,710	\$34,585,351
Trust for Management Employees	14,428,078	14,428,078

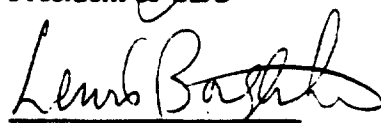
It is our opinion that based on the funding results shown in Section II, these contributions fall within the constraints for the maximum tax deductible amount allowed by law.


This report was prepared by the actuaries whose signatures appear below. They certify that, to the best of their knowledge, the methods and assumptions used in the determination of SNET's liabilities for postretirement benefits other than pensions are reasonable and conform to the Actuarial Standard of Practice No. 6, Measuring and Allocating Actuarial Present Values of Retiree Health Care and Death Benefits.

Actuarial Sciences Associates' relationship with the plan and the plan sponsor is strictly professional. There are no aspects of the relationship which may impact or appear to impair the objectivity of our work.

Respectfully submitted,


Michael J. Gulotta, FSA
President & CEO


Lewis Borgenicht, FSA
Consulting Actuary


Lawrence A. Golden, ASA
Consulting Actuary

December, 1994

SECTION II
FUNDING RESULTS

**SNET
POSTRETIREMENT HEALTH
ACTUARIAL VALUATION
1994 FUNDING**

TABLE OF CONTENTS

	PAGE
A. Introduction	6
B. Internal Revenue Code Requirements	7
C. Funding Policy	8
D. Assumptions as to Future Experience	9
E. Claim Costs	10
F. Actuarial Value of Assets	10
 Exhibit I Development of Contribution to Trust for Management Employees	 11
 Exhibit II Development of Contribution to Trust for Represented Employees	 13

**SNET
POSTRETIREMENT HEALTH
ACTUARIAL VALUATION
1994 FUNDING**

A. INTRODUCTION

This report develops the funding contributions for The Southern New England Telephone Company Postretirement Health Benefits Trust for Represented Employees and The Southern New England Telephone Company Postretirement Health Benefits Trust for Management Employees. Collectively, the two funding vehicles will be referred to as the "Trusts". The Trusts were established by SNET to provide vehicles to advance fund, on a tax deductible basis, postretirement health benefits.

The Trust for Management Employees is used to advance fund postretirement medical, dental and Medicare Part B premiums on behalf of management employees and their eligible dependents. Exhibit I shows the derivation of the 1994 contribution to the Trust for Management Employees.

The Represented Employee Trust is used to advance fund postretirement medical, dental, and Medicare Part B premiums on behalf of all nonmanagement employees and their eligible dependents. Benefits for all nonmanagement employees at SNET are collectively bargained. Exhibit II shows the derivation of the 1994 contribution to the Represented Employee Trust.

The primary purposes of advance funding are: (1) to allocate the costs of the benefits on a rational and systematic basis to the period in which the ratepayers benefit, (2) to provide security for the participants by making the receipt of the promised benefits independent of the profitability of the company, and (3) to provide additional assurance to the investors that provision is being made to meet the future liability entailed by the Plan, which could otherwise jeopardize their interests.

This report conforms to the funding limits imposed by Internal Revenue Code Sections 419, 419A, 501(c)(9), and 512(a)(3)(E). We have excluded the value of the benefits for key employees in determining the maximum tax deductible contribution to the Trusts.

Participant data for this report was supplied by SNET as of December 31, 1993. This data is summarized in Section IV. This data was reviewed for accuracy and consistency with prior data and is deemed appropriate for use in determining funding requirements.

Asset data as of December 31, 1993 was supplied by SNET.

**SNET
POSTRETIREMENT HEALTH
ACTUARIAL VALUATION
1994 FUNDING**

The valuation has been performed assuming that the plan is ongoing. The use of such an assumption is necessary in order to evaluate the long term impact of continuing the current plan. The use of an assumption that the plan will continue should not be read to imply that an obligation exists for the sponsor to continue the plan.

Plan provisions are summarized in Section III.

B. INTERNAL REVENUE CODE REQUIREMENTS

The tax deductibility of a company's contribution to the Trusts to fund its employee welfare plans is subject to certain restrictions imposed by the Internal Revenue Code (IRC). These restrictions are set forth in Sections 419, 419A, 501(c)(9), and 512(a)(3)(E) of the Code.

The enactment of the Deficit Reduction Act (DEFRA) on July 18, 1984 applied new rules and regulations to welfare benefit plans for tax years ending after December 31, 1985. The legislation added strict deduction rules that limit the annual contributions made by employers to prefund welfare benefits. The legislation also established nondiscrimination requirements for welfare benefit plans, similar to those traditionally applied to qualified retirement plans. Southern New England Telephone Company's medical and dental plans are welfare benefit plans under DEFRA definitions.

Under DEFRA's requirements (IRC Section 419 and 419A), the maximum deduction allowed to an employer for funding welfare benefits equals

1. the amount (including administrative expenses) which would have been allowable as a deduction to the employer for the benefits provided during the year on a cash receipts and disbursements basis, plus
2. the amount necessary to fund incurred, but unpaid claims (including associated administrative expenses) as of the end of the tax year, plus
3. the amount needed to accumulate assets over the employee's working life that fully funds the employee's postretirement benefit at retirement, minus
4. the fund's after-tax income excluding employer contributions.

**SNET
POSTRETIREMENT HEALTH
ACTUARIAL VALUATION
1994 FUNDING**

DEFRA restricts the prefunding and handling of benefits for key employees. If benefits for key employees are prefunded, separate accounts must be maintained and benefits for those employees can be paid only from these separate accounts. However, SNET's key employee benefits are not prefunded and therefore, such benefits are paid through company operating expenses.

The 1994 maximum tax deductible contribution to the Trust for Management Employees is the sum of two elements. For pre-1991 retirees, the contribution is the benefits actually paid in 1994. For active employees and post-1990 retirees, the Aggregate Cost Method is used to determine the amount needed to accumulate assets that fully fund benefits at retirement. The basic rationale of this method is to contribute a level dollar amount each year for active participants during their remaining working lives such that existing assets plus future contributions plus future investment earnings are predicted to be sufficient to pay all future benefits and associated expenses expected to become payable to the eligible retirees and their dependents. As mandated by the Internal Revenue Code, the maximum tax deductible contribution determined for the management group did not take into account future medical cost inflation or increases in utilization.

The Trust for Represented Employees is a collectively bargained welfare benefit trust, for which the Internal Revenue Code provides special treatment. In accord with IRS Section 419A(f)(5) contribution amounts up to the total unfunded value of future benefits are tax deductible. In addition, contributions to a welfare benefit trust fund which is maintained under a collective bargaining agreement may be determined on a basis which reflects future health care inflation and projected increases in utilization.

C. FUNDING POLICY

For 1994, the amounts contributed were consistent with the methodology approved by SNET's regulators, the Department of Public Utility Control (DPUC).

For 1994, funding for postretirement benefits other than pensions was extended to all retirees and active employees. The DPUC permitted SNET to contribute the total expense for postretirement benefits other than pensions to the health benefit and life insurance trusts. The allocation of such contributions was effected in a manner so as to maximize the deductibility of contributions. Expense for these benefits was to be determined according to Statement of Financial Accounting Statement No. 106 (FAS106). The total amount contributed is the FAS106 expense for 1994, based on census data and asset information as of December 31, 1993, including amortization of the initial transition obligation.

**SNET
POSTRETIREMENT HEALTH
ACTUARIAL VALUATION
1994 FUNDING**

Because the FAS106 expense amounts for postretirement group life benefits and for postretirement health benefits for management exceed the maximum tax deductible contributions, the excess of the FAS106 expense over the maximum tax deductible amount is contributed to the Represented Employee Health Trust. As shown in Exhibit II, the 1994 maximum tax deductible contribution for the Represented Employee Health Trust is larger than the FAS106 expense, thus permitting the additional contributions.

D. ASSUMPTIONS AS TO FUTURE EXPERIENCE

To determine the actuarial value of the liabilities for postretirement benefits, it is necessary to estimate the benefits that will be paid in future years on behalf of current and future retirees eligible for postretirement benefits. Benefits anticipated to be paid in future years are then discounted using actuarial assumptions to arrive at present values. These assumptions are summarized in Section V.

To develop present values of future benefits, experience is analyzed and actuarial assumptions are developed. Assumptions include: mortality rates for active and retired employees, separation rates, disability retirement rates, service retirement rates, the long-term average rate of earnings on trust funds, current health benefit costs, and the trend on future health benefit costs. Actuarial assumptions were revised for this valuation based on the results of a study reviewing plan experience. The major actuarial assumptions underlying the 1994 Trust contributions for management and nonmanagement employees are as follows:

1. Mortality, Withdrawal, Disability and Retirement Rates

The mortality, withdrawal, disability and retirement rates used in the postretirement health valuation are consistent with those used in the 1994 valuation of SNET's pension plans. The assumptions used are shown in Section V.

2. Actuarial Earnings Rate and Discount Rate

Because the maximum tax deductible contribution is determined under the assumption that the benefits plans and trusts are ongoing and that future benefits are to be funded from contributions and investment returns on trust assets, liabilities are valued at the actuarial earnings rate, or the expected rate of return on trust assets. This rate for the Trust for Management Employees is 7.00%. For the Trust for Represented Employees, this rate is 7.50%. The lower 7.00% assumption for the Trust for Management Employees reflects the administrative and insurance company costs associated with Trust Owned Life Insurance (TOLI).

**SNET
POSTRETIREMENT HEALTH
ACTUARIAL VALUATION
1994 FUNDING**

For purposes of determining the service cost and the Accumulated Postretirement Benefit Obligation under the DPUC methodology, a discount rate is selected which reflects the rate at which postretirement benefit obligations could be effectively settled. The discount rate assumed for both management and nonmanagement benefits is 7.00%.

3. Net Health Care Trend Rates

Annual health care trend rates are applied to the most current claim costs to develop expected claim costs for future years. The trend rates vary among groups of retirees because pre-1990 nonmanagement and pre-1992 management retirees do not contribute toward the cost of medical benefits and Medicare part B premiums, whereas future retirees do contribute towards these costs in excess of the "caps" noted in Table 4. The net health care trend rates used are shown in Section V.

A summary of other assumptions for the management and nonmanagement employees is presented in Section V of this report.

E. CLAIM COSTS

The 1994 medical and dental incurred claim costs were based on 1993 claim costs with trend rates applied for expected increases from 1993 to 1994. Claim costs were based on claim experience provided by SNET from Blue Cross/Blue Shield of Connecticut and the Travelers Insurance Company. The following adjustments were made to the claim experience in determining claim costs:

The 1993 paid claim cost experience was adjusted to an estimated incurred basis.

The average incurred claims per retiree includes both dependent and retiree claims. Surviving dependent coverage is provided by the Company for six months after the death of a retiree.

F. ACTUARIAL VALUE OF ASSETS

The market value of assets as of December 31, 1993 was provided by SNET.

The actuarial value of assets used is the market value of assets as of 12/31/93.

EXHIBIT I

**SNET
POSTRETIREMENT HEALTH
ACTUARIAL VALUATION
1994 FUNDING**

1994 MANAGEMENT TRUST CONTRIBUTION**A. Maximum Tax Deductible Contribution as of 1/1/94**

1.	Present Value of Future Benefits as of 1/1/94 (Excluding Key Employees)	
(a)	Actives	\$37,460,340
(b)	Post-1990 Retirees	\$22,470,552
(c)	Total [(a)+(b)]	\$59,930,892
2.	Assets as of 1/1/94	\$ 9,313,000
3.	Present Value of Remaining Costs [(1c)-(2)]	\$50,617,892
4.	Present Value of Years of Future Service	31,271
5.	Accrual Rate Per Employee [(3)/(4)]	\$ 1,619
6.	Number of Active Employees	3,541
7.	Maximum Contribution as of 1/1/94 for Active Employees and Post-1990 Retirees [(5) x (6)]	\$ 5,732,879
8.	Benefits for Pre-1991 Retirees	\$ 8,695,199
9.	Total [(7) + (8)]	\$14,428,078

B. Accounting with Amortization of Initial Transition Obligation

1.	Service Cost With Interest	\$ 1,269,362
2.	Interest (7%) on Total Accumulated Postretirement Benefit Obligation of \$169.0 million	\$11,683,396
3.	Amortization of Initial Transition Obligation of \$147.1 million	\$ 8,700,000
4.	Expected Return on Assets	\$ 501,646
5.	Total Net Periodic Benefit Cost [(1) + (2) + (3) - (4)]	\$21,151,112

C. Contribution Amount as of 1/1/94 (Lesser of A9 and B5) \$14,428,078**Notes:**

1. The Management Trust is used to advance fund postretirement medical, dental, and reimbursement for Medicare Part B premiums on behalf of post-1990 management retirees and active management employees and their eligible dependents.
2. Assets as of 1/1/94 are the VEBA assets as per 12/31/93 trustee statements provided by SNET.
3. Calculation of the maximum tax deductible contribution assumes a 7.00% actuarial earnings rate and no future medical trend.

EXHIBIT I
(Cont.)

SNET
POSTRETIREMENT HEALTH
ACTUARIAL VALUATION
1994 FUNDING
(\$ Millions)

1994 MANAGEMENT TRUST CONTRIBUTION

5. Five-year projected benefit payments for post-1990 retirees and their dependents are as follows:

(\$ Millions)

<u>Year</u>	<u>Benefits Paid</u>
1994	11.4
1995	11.0
1996	10.7
1997	10.2
1998	9.8

**SNET
POSTRETIREMENT HEALTH
ACTUARIAL VALUATION
1994 FUNDING**

1994 REPRESENTED EMPLOYEE TRUST CONTRIBUTION

A. Maximum Tax Deductible Contribution as of 1/1/94	
1. Present Value of Future Benefits as of 1/1/94	
(a) Actives	\$ 76,461,272
(b) Retirees	\$ 161,949,438
(c) Total [(a) + (b)]	\$ 238,410,710
2. Assets as of 1/1/94	\$ 33,705,000
3. Unfunded Liability [(1c) - (2)]	\$ 204,705,710
B. Accounting with Amortization of Initial Transition Obligation	
1. Service Cost	\$ 2,723,887
2. Interest (7%) on Total Accumulated Postretirement Benefit Obligation of \$217.8 million	\$ 15,607,023
3. Amortization of Initial Transition Obligation of \$207.9 million	\$ 10,900,000
4. Expected Return On Assets	\$ 2,686,637
5. Total Net Periodic Benefit Cost as of 1/1/94 [(1)+(2)+(3)-(4)]	\$ 26,544,273
C. Contribution Amount as of 1/1/94	
1. Lesser of A3 and B5	\$ 26,544,273
2. Additional Amount for Expense in Excess of Contribution Amount	
(a) Postretirement Health Benefits for Management Employees [21,151,112 - 14,428,078]	\$ 6,723,034
(b) Postretirement Group Life Insurance [2,382,866 - 1,064,822]	\$ 1,318,044
3. Total Contribution as of 1/1/94 Minimum of [(1) + (2a) + (2b)] and A3	\$ 34,585,351

Notes:

1. The Represented Employee Trust is used to advance fund medical, dental, and reimbursements for Medicare Part B premium on behalf of all nonmanagement employees and their eligible dependents. Because all benefits funded by the Trust are collectively bargained, contributions up to the total unfunded liability are tax deductible.
2. Assets as of 1/1/94 are the VEBA assets as per 12/31/93 trustee statements provided by SNET.
3. Determination of maximum tax deductible contribution to the Represented Employee Trust assumes an 7.5% actuarial earnings rate and full medical trend.
4. Additional amounts in C.2.(a) and (b) represent the excess of the Regulatory Accounting expense over the maximum tax deductible contribution.

EXHIBIT II
(Cont.)

SNET
POSTRETIREMENT HEALTH
ACTUARIAL VALUATION
1994 FUNDING
(\$ Millions)

1994 REPRESENTED EMPLOYEE TRUST CONTRIBUTION

5. Five-year projected benefit payments for covered retirees and their dependents are as follows:

(\$ Millions)

<u>Year</u>	<u>Benefits Paid</u>
1994	17.0
1995	17.8
1996	17.3
1997	16.4
1998	16.5

SECTION III
PLAN PROVISIONS

**SNET
POSTRETIREMENT HEALTH
ACTUARIAL VALUATION
PLAN PROVISIONS**

A. ELIGIBILITY

Employees who retire with a service or disability pension, and their eligible dependents are eligible for company-provided postretirement health benefits. An employee is eligible to retire on a service pension when the following conditions are met:

AGE		MINIMUM YEARS OF SERVICE
65	and	10
55	and	20
50	and	25
Any Age	and	30

A person who becomes disabled after a minimum of 15 years of service is eligible for a disability pension. A disability pension is converted to a service pension when age and service conditions (adding years of disability to years of active service) are met.

Company-paid medical coverage for surviving spouse and dependents ends six months after death of the retiree. Company paid dental coverage and Medicare Part B premiums for surviving spouse and dependents end at the end of the month of the retiree's death.

B. BENEFITS

1. Medical

(a) First Dollar Plan - SNET Retiree Medical Expense Plan

Applies to management employees retired prior to January 1, 1985 and nonmanagement employees retired prior to January 1, 1988.

Annual Deductible - 1% of Annual Pension Amount, but not less than \$25 or more than \$100.

**SNET
POSTRETIREMENT HEALTH
ACTUARIAL VALUATION
PLAN PROVISIONS**

Annual Out-of-Pocket Maximum - After "Other Covered Charges" (charges to which a deductible applies) total \$5,000, the balance is covered at 100%. The first \$5,000 after the deductible is covered at 85%.

Maximum Benefits under Other Covered Charges - \$50,000 lifetime maximum per retiree or covered dependent. But first \$3,500 per year is not counted toward the lifetime maximum.

Hospital Room and Board - 100% for semi-private room, up to 485 days (each separate stay) in Connecticut, or 120 days outside Connecticut. 85% of R&C charges for days afterward (subject to out-of-pocket maximum).

Outpatient - 100% of reasonable and customary charges (R&C).

Other 100% payment items - anesthesia, radiation therapy, laboratory tests, ambulatory surgical facilities, surgery, in-patient psychiatric care (up to 60 days per calendar year per individual), in-hospital physician and consultations, alcoholism treatment and rehabilitation programs (maximum of 45 days in calendar year for treatment, similar limit for rehabilitation program), home health care.

Prescription Drugs covered at 85%.

(b) Comprehensive Plan

Benefits described under two plans, SNET Retiree Medical Plan and SNET Medical Plan for Retirees are very similar and will not be valued separately. SNET Retiree Medical Plan covers management employees retired between January 1, 1985 and September 30, 1989 and nonmanagement employees retired between January 1, 1988 and September 16, 1989. SNET Medical Plan for Retirees covers management employees retired on or after October 1, 1989, nonmanagement employees retired on or after September 17, 1989.

Preferred Medical Option (PMO), Blue Cross and Blue Shield's Managed Benefits Program (BCBS) added to First Dollar Plan.

**SNET
POSTRETIREMENT HEALTH
ACTUARIAL VALUATION
PLAN PROVISIONS**

All PMO provider charges covered at 100% after payment of office visit charge. If retiree utilized a PMO provider, payment is

\$5.00 for eligible medical office visit, laboratory or physical therapy services.

\$20.00 for eligible radiology services.

\$30.00 for eligible visits to psychiatrists, psychologists or counselors.

Coverage outside PMO is same as First Dollar Plan except:

Hospital room and board - 80% coverage for semi-private room, after deductible.

Services for terminally ill - 100% coverage, after deductible.

Home health care and birthing centers covered at 80%, after deductible, 200 visits per year maximum for home health care.

Inpatient surgical procedures, laboratory tests and outpatient procedures - 80% of R&C charges, after deductible.

Prescription Drugs covered at 80%, after deductible.

Alcohol or Drug Dependency treatment must be at a Preferred Medical Option (PMO) center for 100% payment with no deductible, otherwise 80% payment with deductible.

Certain office visits related to emergencies and outpatient surgeries covered at 100%.

100% payment with deductible - Pap smears, gynecological exams, mammograms per schedule, pediatric well care through age 17.